Raats, T.; Evens, T. & Ruelens, S.

Sustaining local audiovisual ecosystems. Analysis of financing and production of domestic TV fiction in small media markets Raats, T.; Evens, T. & Ruelens, S.

iMinds-MICT-UGent, iMinds-SMIT-VUB

Journal of Popular Television, 4(1), 129-147, 2016

Challenges for sustaining local audiovisual ecosystems. Analysis of financing and production of domestic TV fiction in small media markets

Tim Raats, iMinds-SMIT, Vrije Universiteit Brusse

Tom Evens, iMinds-MICT, Ghent University

Sanne Ruelens, iMinds-SMIT, Vrije Universiteit Brussel

Abstract

Various trends, both technological and economic in nature, led to a shift in financing and production of serial television fiction (mostly TV drama and episodic comedy), consequently putting pressure on existing financing of TV fiction. This proves especially difficult for small markets, being characterized by restricted markets, a limited number of active players and barriers for export and scale. For media policymakers, these transitions invoke a series of new challenges to sustain existing audiovisual ecosystems. This article takes analyses current financing streams, patterns and dynamics of TV fiction in small media markets. It seeks to reveal the composition of budgets, the relative importance of all actors and funding involved in TV fiction production, and assesses whether current financing models and policy support mechanisms are fit to tackle the challenges invoked by the increasing number of windows and increased fragmentation of TV fiction financing. The article is based on a case study of TV fiction in Flanders, presenting evidence from a financial analysis of 46 TV fiction productions.

Keywords

TV drama; TV production and financing; audiovisual policy; small media markets; independent production

INTRODUCTION

Serial TV fiction (mostly tv drama and episodic comedy) is considered a crucial part of audiovisual markets, both in cultural and economic terms. In cultural and democratic sense, domestic TV fiction is – just like many other domestic programming – considered vital as part of a pluralist media environment. TV fiction allows nations to represent their historical, societal and cultural backgrounds and diversity and shed light on the workings and issues in past and present day society. As such, domestic content is said to function as a window for representing cultures and regions across Europe and beyond (Bondebjerg et al. 2015; Bignell and Fickers, 2008). For example, our modern understanding and sense of identity of Europe and Europeanness, is achieved partly through encountering representations of Europeans from other nations on screen, in which television fiction is pivotal (Bondebjerg and Novrup Redvall, 2011; Bondebjerg and Madsen, 2008).

In economic terms, TV fiction and its production are pivotal for a sustainable and professional media market. For broadcasters, quality drama is often included in broadcasting schedules to increase brand loyalty and brand image, as it mostly attracts large audiences. For the audiovisual production sector – and especially independent producers – TV drama, more than any other genre, contributes strongly to the professionalization of the sector; drama mostly involves larger budgets, which allows companies to generate higher profit margins and create continuity within their business strategy; lastly, as *stock programmes* (contrary to *flow programmes)* (Pauwels, 2000), they allow further exploitation and additional revenue from sales on multiple platforms (from reruns, on-demand offer, DVD exploitation, international sales, etc.).

However, various trends, both technological and economic in nature, led to a shift in financing and production of television drama, consequently putting pressure on existing financing of TV fiction. On the one hand, new services and platforms have provided new windows, and *hitherto*, new potential outlets for revenue (video-on-demand, subscription VOD such as Netflix, premium content, previews, etc.) (De Vinck et al. 2013: 16). On the other hand, these new distribution platforms bring about an increased fragmentation of content financing. Broadcasters are heavily pressured as their advertising revenue decreases and public financing faces cutbacks.

This proves especially difficult for small markets, being characterized by restricted markets, a limited number of active players and barriers for export and scale. For media policymakers, these transitions invoke a series of new challenges to sustain existing audiovisual ecosystems.

Our contribution takes these transitions as a starting point to analyse current financing streams, patterns and dynamics of TV fiction in small media markets. It seeks to reveal the composition of budgets, the relative importance of all actors and funding involved in serial TV fiction production, and to assess whether current financing models and policy support mechanisms are fit to tackle the challenges invoked by the increasing number of windows and increased fragmentation of TV fiction financing. Evidence is based on a case study of TV fiction in Flanders (northern part of Belgium), a small market of about 2.5 million TV households where the production of TV fiction has increased markedly in the decade, among others because of an increased interest of policymakers in the sustainability of the independent production sector and high-quality drama (both for film and TV).

The article consists of four parts. The first part contextualizes international trends and structural and contextual thresholds for audiovisual production, explaining difficulties in serial TV fiction financing, the need for cooperation between audiovisual players and the need for a coherent policy to sustain TV production in smaller markets. The second part presents the Flemish case as an example of a small market and describes the importance of TV fiction in Flanders. The third part outlines the different financial streams and the composition of budgets. Evidence therefore derives from an analysis of 46 Flemish TV series broadcast between 2009 and 2014, seeking to explore the relative importance of the various actors within the audiovisual ecosystem, and how their investments have evolved over the past five years. The research was conducted in the framework of a preparatory study for the Flemish Minister of Media. Based on the analysis, a fourth and final part discusses some of the challenges in light of new developments in TV markets and how they potentially affect existing patterns of financing. Apart from the secondary data retrieved for the financial analysis, evidence also derives on analysis of policy and sector documents (annual reports, press releases, policy documents, legislation).

FINANCING AND PRODUCTION OF TV FICTION IN SMALL MARKETS

The aforementioned trends affect a market that is traditionally characterized by contextual and structural thresholds. Starting from a value chain perspective and the creative dynamics within the independent TV production sector, a series of economic specificities of the financing and production of serial TV fiction in small media markets pop up. Some of these characteristics relate to supply and demand conditions of the audiovisual product (Collins, Garnham and Lockseley, 1988; Küng, 2008; Picard, 2011; Caves, 2000), others relate to economies of scale problems small media markets face in financing media production (Pauwels, 1995; Puppis et al. 2009).

A first economic aspect is the *non-rivalry* and *non-excludability* of audiovisual products (Armstrong and Weeds, 2005), referring to the fact that, contrary to other economic goods, in principle no one can be excluded from audiovisual consumption (i.e. what is available for one consumer is available for all) and that the audiovisual product does not disappear after its consumption (Collins, 2008: 309). TV fiction, like most audiovisual works, allows for multiple reuse which may be more valuable than the original use, in this case predominantly the first broadcast on free-to-air television, expressed in 'windowing' (Nelson, 2013). By introducing release windows, the value and revenue streams of a particular TV fiction can be maximized via several windows including pay-TV (preview), free-to-air (original broadcast), catch-up (available for a limited period of days after original broadcast), video on demand (either transactional/ TVOD, or subscription/SVOD), DVD, international licensing, merchandising etc. (Drake, 2008; Dally et al. 2002; Vogel 2007: 118ev). Because investors take high risks and see income opportunities in the exploitation of (new) windows, claiming, negotiating and retaining control of the most lucrative windows is a crucial part of financing TV fiction. The shifting chronology of windows and the great uncertainty about the success of new platforms and services (e.g. Netflix) result into tough negotiations between producers, broadcasters and other investors (e.g. distributors) in order to secure the ability to monetize as much secondary and tertiary rights as possible.

Moreover, TV production is characterized by relatively high investments and high fixed costs, and relatively low distribution costs: re-broadcasting an episode costs little, whereas original productions require high budgets in terms of scriptwriting, directing, filming, editing, promotion etc. High-quality productions require similar budgets regardless of the size of the broadcaster, audience or country of primary transmission. Hence, the financial risks associated with original programming are manifold higher than with licensed programming that is bought from international markets (i.e. the so-called cultural discount). Especially for TV drama, production value and potential success therefore heavily depend on available resources to allocate to the time for developing projects. The large investments up front weigh particularly hard on production companies, who often invest a lot of time to the creative process involved in outlining projects without any guarantee projects will be picked up for development by broadcasters. Associated to this 'risky business' character of audiovisual production, audiovisual products are experience goods and consumer demand therefore is highly uncertain. Success of an individual series is unpredictable, and depends on various factor conditions, such as casting, branding intrinsic and perceived quality, scheduling strategies, viewer preferences, the weather etc. (Schültze, 2005). Although many series build on success formulas, continuous creativity and innovation is a requirement in the TV production sector. In other words, the most innovative narratives, despite keeping with all quality standards, partly becomes, "throwing mud against the wall and see what sticks" (Hesmondhalgh, 2002: 17-18).

As a consequence of the previous structural factor, TV fiction series are, in most cases, examples of single-creation products produced on a project-oriented basis (Scott, 2004; Turner and Tay, 2009). Single-creation products are creative products, which require significant marketing and sales costs. Owing to high failure rates, their production and exploitation is extremely risky (Picard, 2011). Since the financing of Serial TV fiction production occurs on a project-by-project basis, independent producers also face difficulties in developing long-term strategies and creating a business continuity plan. On top of that, given its project orientation, working in the audiovisual sector is cyclical and relies on the temporary input of a large number of professionals for a dedicated period. Producers therefore often refrain from HR-policy, as well as investing in training and talent management (Raats et al. 2013; Starkey and Barnatt, 1997).[i]

The project-oriented character also makes sustainability of independent producers heavily dependent on the commissioner, in most cases the broadcasters. The TV production sector is often typically described as a cottage industry, characterized by a large amount of small companies with minimal resources and investment capacity (Mediatique and Horsman, 2005; Doyle and Paterson, 2008), interconnected within a temporary web or project network of dependent players (Starkey et al. 2000; Sydow and Staber, 2002). The presence of a large number of mostly small producers and fewer number of broadcasters and distributors creates power asymmetry in the market, where broadcasters have more leverage during negotiations with independent producers. With relations of power skewed toward the leading broadcasters, producers' independence restricts itself to their name and ownership status, rather than their product (Christophers, 2008). In small markets, independent production shows even larger fragmentation, with various production companies being dependent on a limited number of broadcasters commissioning content.

Power asymmetry is also linked to the problem of (nearly) full funding, which gives the commissioning broadcaster nearly all rights to exploit the resulting programs. Unlike in the United States, where producers share a portion of the financial risks in production in return for ownership of secondary and tertiary rights (aka deficit financing), broadcasters in Europe tend to cover most production costs. Whereas producers have limited ability to accumulate and exploit capital assets, broadcasters taking most of the risk can also in most cases exploit most of the programming rights (Doyle, 2013).

Lastly**,** apart from these structural trends, the contextual factors of small markets are decisive for the success of its audiovisual market and TV fiction production (Raats et al. 2015; Pauwels, 1995; Puppis et al. 2009; Lowe and Nissen, 2010): (1) a lack of scale in markets prevents audiovisual content to employ the same cost-intensive standards that high-quality domestic content requires. Audiovisual works in small countries are mostly low to very low budget productions. This also restricts opportunities for export and competition on an international scale; (2) language and the cultural specificity manifest themselves as burdens for circulation of domestic audiovisual content and hence, structural forms of financing. Scandinavian series might have been popular in recent years, they have been exception rather than rule. Statistics indicate a huge lack of non-national domestic TV content in national markets, with the exception of British content, and a continued dominance on US import (Jones and Schooneknaep, *forthcoming*); (3) smaller audiovisual markets are often dependent on neighbouring large countries, thereby hampering the development of autonomous professional audiovisual sectors.[ii]

Given its cultural and economic importance, governments entrust funds, regulators and public broadcasters with a specific remit to sustain the level of home-grown, domestic TV drama (Ofcom, 2009; 2014; Barwise and Picard, 2014). In the last two decades, various direct (e.g. subsidies) and indirect government (e.g. fiscal measures) support mechanisms have been developed as part of an 'audiovisual toolkit' (Raats et al., 2015) in small nations to sustain domestic fiction. Indeed, the success of the acclaimed 'Nordic Noir', with series such as *Borgen, The Bridge* and *The Killing*, reveal a decisive role of government intervention, multi-national distribution and visionary strategies together with huge investments of the Danish public broadcaster DR (see, among others, Jensen et al. 2015; Novrup Redvall, 2013).

INTRODUCING THE CASE OF FLANDERS

Flanders portrays the characteristics of a small market, but with quite specific peculiarities. It is a market of about 2.5 million TV households. More than 80% of the television market share is reached by three main broadcasters (the public broadcaster VRT and its commercial counterparts Medialaan and SBS) while the distribution market is dominated by cable operator Telenet (over 80% market share). The production market itself is scattered over more than 50 external producers. Recent years have seen various forms of consolidation. Various smaller production companies have either merged, ceased their activities, or have been integrated partly or fully integrated in international production companies (VRM, 2015). Various of these smaller companies solely rely on commissions from the public broadcaster VRT. The Flemish market for TV fiction is, contrary to its French-speaking counterpart, and other small member states, characterized by an enormous popularity of domestic content and hence, professionalized audiovisual sector (Antoine and Saeys, 2001).

The Flemish (independent) audiovisual production sector is a relatively young sector. It has professionalized over 20 years with multiple branches within the sector now generating full-fledged economic professions. Employment in the audiovisual sector increased with 80% between 2003 and 2011. The number of employers in the audiovisual sector rose slightly from 320 in 2008 to 363 in 2012 (VOTP, 2014).

The expansion and further professionalization of the independent production sector is, in large part, the result of an interventionist policy approach that emerged since the mid-2000s. The incorporation of the Flemish Film Fund into the Flemish Audiovisual Fund (VAF) in 2002, paved the way for a more economic focus and indirect support instruments. In 2003, the tax shelter was introduced, allowing fiscal advantages for companies investing in film and TV productions and hence attracting additional foreign investments in Flanders. In 2010, the Media Fund was launched as part of VAF, specifically targeting TV production and responding to a direct call of producers and broadcasters for structural financing. In 2012, Screen Flanders, an economic fund attracting national and foreign investments in film and TV, was introduced and aimed at economic return. Lastly, in 2014, the so-called 'Stimulation Decree' was passed, enforcing distributors to invest in audiovisual productions and thereby introducing (like in the French-speaking part of Belgium and following a longer tradition of France) forms of auto- or participatory financing (Raats et al. 2014; Pauwels, 1995).

ANALYSIS OF PRODUCTIONS AND FINANCING

Research set-up

This research relies on a mapping of all TV fiction series broadcast between 2009 and 2013 on the one hand and secondary financial data retrieved both from TV producers and broadcasters on the other hand. These data include budget sheets of TV fiction productions, and provide an overview of all costs and revenues of individual fiction series (between 2009 and 2014). 46 productions in Flanders were included in the analysis, seeking to explore the relative importance of the various actors within the audiovisual ecosystem, and how their investments have evolved over the past five years.

From a methodological perspective, a series of questions raise automatically, mainly relating to the definition of TV fiction production. Other issues relate to validity and adequacy of the received data, anonymity and demarcating the years to include in the analysis. The following methodological remarks could be made to interpret the data.

A distinction should be made between financing sources and revenue sources. The former comprises all types of financing composing a budget before the production. The latter comprises all returns generated after first broadcast (i.e. exploitation of secondary rights in merchandising, reruns, on-demand offer, etc.). Contrary to film, where broadcasting rights of films are sold up front, distribution partners take presale rights that contribute to the budget, in smaller markets, the two types of sources remain relatively separated. Few successful TV drama series can effectively negotiate pre-financing deals with other broadcasters and distributors, or include profits of DVD and foreign sales in the production of the next season. However, given the advent of new market entrants and platforms, both become increasingly interlinked. A window for broadcasting TV fiction 'in preview' purchased by, for example, a cable distributor or OTT-player, can now make up part of the budget as well.

The analysis looks at Flemish TV fiction series aired by Flemish broadcasters. This includes productions from independent producers as well as in-house productions of broadcasters themselves. The year of airing of the first episode was counted as year of broadcasting, which proved the most convenient benchmark to compare. TV fiction series between 2009 and 2013 were included. For the composition of budgets, series of 2014 were included as well.

Furthermore, productions categorized as TV fiction is TV drama and episodic fiction produced by standards of audiovisual scripted productions aired on a weekly or bi-weekly basis (which excludes soaps, telenovellas, scripted reality and docu-fiction), with a minimum of 20 minutes (which excludes various children's TV series). Also not included were animated series, re-edits of Flemish films into miniseries and co-productions where Flemish players only have minor stakes (e.g. *Parade's End*).

Given their different funding, genre and exploitation, a distinction has been made between fiction longer than 35 minutes (coined as drama series), fiction shorter than 35 minutes (coined as sitcoms), and children's series longer than 20 minutes.

Concerning the analysis of budgets, in total, budgets of 46 productions were analysed. As a consistent annual record of TV fiction is lacking, data for mapping and comparing the amount of series were aggregated from annual reports of broadcasters, independent producers' associations and VAF. Data for the composition of budgets were retrieved from a variety of sources: (a) the broadcasters themselves, (b) independent producers, and (c) the Media Fund's publicly available sources (annual reports). All independent producers involved in TV fiction productions were contacted with a list of queries for each production. Data from the producers were – where available – double-checked with other sources from broadcasters and the audiovisual fund. The independent producers' guild VOTP encouraged its members to participate.

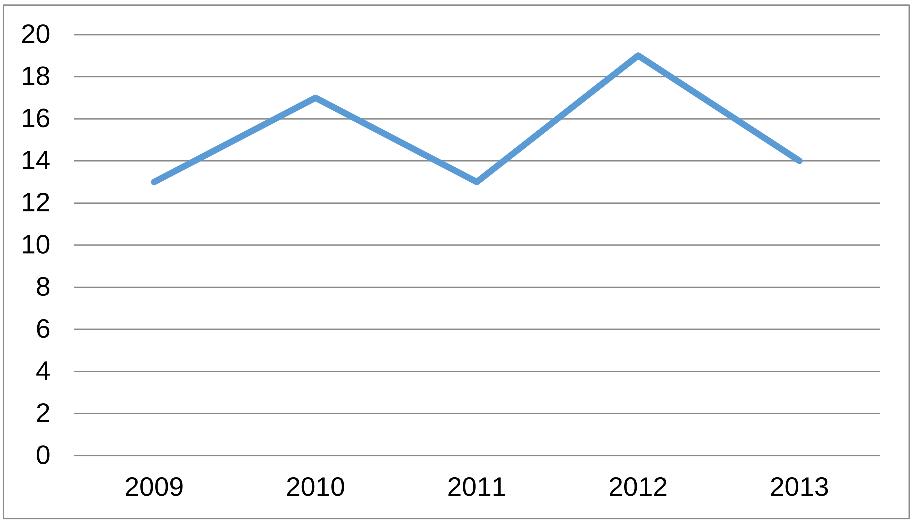
Despite the support, the research team encountered various thresholds for data collection: (1) TV budgets are traditionally confidential and are rarely shared publicly. As such, we assured producers and broadcasters that data would be analysed in full anonymity and always presented in an aggregated form; no individual productions were mentioned and all insights that could hint at a specific production (despite being anonymous), were not mentioned (for example, if there is only one TV drama series that includes a specific type of financing). As most children series were produced by the same company, and are often cheaper to produce which might invoke skewed analyses, children's series were also excluded from the financial analysis; (2) data were often presented incomplete. Because of inconsistency in reporting, no sufficient data on revenue and exploitation were available; (3) not all production companies offered their cooperation. Therefore, the data might be subject to an over-representation of some production companies and their financing models; (4) the collected data could not take into account specific side-deals and contractual agreements involved in TV fiction productions (output deals, exclusivity deals), etc. which might also have a consequence on budgets.[iii]

Mapping TV drama in Flanders

The production of TV fiction has increased significantly over the last decade and remains at a high level. The supply of quality TV fiction follows the preferences of Flemish TV viewers: domestic series are among the most popular TV programmes in terms of viewing ratings (Raats et al. 2014; VAF, 2014). Our analysis shows the number of local TV fiction productions ending up in the top 10 of most viewed programmes annually, increasing over the years, with 6 out of 10 most popular programmes in 2013 being TV fiction. In comparison, in the Netherlands only 6 domestic TV series appear in the top 100 (none of them in the top 25) (Raats et al. 2013, CIM, 2013).

Our analysis shows an average of 15 fiction series being broadcasted annually by Flemish broadcasters (including sitcoms and children's series >20min.). 2012 showed a disproportionate amount of productions being aired (19), as two broadcasters anticipated a take-over of the third commercial broadcasters' SBS channels by a consortium including Flanders' most renowned production company (Woestijnvis). In total, 76 fiction series have aired between 2009 and 2013 (Raats et al. 2013: 42). 17% of them were children's series (>20 min, no animation); 20% sitcoms, 63% were drama series (i.e. TV fiction longer than 35minutes).

Figure 1: Absolute numbers of TV fiction productions in Flanders (n=76)



Most of these were aired on the generalist channel 'Eén' (25) of the public broadcaster VRT and the largest commercial channel 'VTM' (30). As such, contrary to what is expected, not the public broadcaster, but its commercial counterpart, aired most TV drama productions. These are also the only significant broadcasters for TV drama (VRT's children channel KETNET followed with 6 and commercial channel VIER with 4 productions) (Raats et al. 2013: 43).

More than half of all broadcasted domestic series were series with more than one season (39 versus 37 one-offs). When excluding children's series and sitcoms, a clear difference is noticeable with VRT investing much more than commercial players in one-offs. 20 out of 37 original series are VRT productions.

83% of all productions were commissioned externally. At the level of the public broadcaster, today all fiction productions are produced externally. The largest commercial player Medialaan (with channels VTM and 2BE) started producing internally and developed their subsidiary, TV Bastards, into a fully-operated production department.

Despite having only two relevant broadcasters for TV fiction commissioning, more than 20 production companies have been involved in TV fiction production between 2009 and 2013. When including sitcoms and children's series, Studio 100 (which follows vertical, horizontal and diversification strategies highly similar to Disney) produced the most TV series (13 out of 76). When excluding the former genres, three relevant players (Eyeworks, Skyline and Menuet) accounted for most drama series (Raats et al. 2014: 43a.f.).

Financing and funding mechanisms involved in TV fiction productions

Financing of TV fiction in Flanders almost always relies on a combination of different income streams. Hence every production could be, and mostly is, considered a coproduction (which also has repercussions for rights and revenue). Based on the analysis, six types of financing can be discerned:

1. **Broadcasting financing (public and private**): financing for primary rights for linear broadcasting (which also includes catch-up 7days, reruns and more recently, distribution in AVOD on broadcasters').
2. **Direct government funding**: this includes government support from the Media Fund, in the form of grants for script, development and production of TV drama. The Media Fund works as a lever, only investing the minimum a broadcaster is willing to invest. Only independent producers can apply for funding, and a series of additional criteria need to be met (including obligations to broadcast free-to-air). The Media Fund's budget, however, remains limited. It works with an annual budget of €4,000,000 (for TV drama, documentary and animation combined), and additional funding from distributors (cf. infra). The maximum funding of one project is €1,150,000. Apart from the Media Fund, Screen Flanders invests in TV drama production as well. Screen Flanders is an economic support mechanism, which is also controlled by VAF to support audiovisual productions developed in Flanders. Productions can receive up to €400,000 in the form of down payments on the net revenue of the exploitation of the work. Only productions that demonstrate potential profit from exploitation (for example pan-European co-productions) are eligible for funding.
3. **Pay-TV operators financing**: pay-TV operators (at this point only the Liberty Global owned distributor Telenet) take part in the financing of TV drama through the purchasing of preview rights. As a result, TV drama is often exclusively shown on pay-TV before being aired free-to-air. These rights have caused anxiety among broadcasters in the past, especially for the public broadcaster where paid previews are a mismatch with public broadcasters' universality principle. Since 2014, the new so-called 'Stimulation Decree' obliges service providers to annually contribute to the audiovisual sector, either by investing in co-productions or by supporting the Media Fund. If all players would aptly contribute, this would generate an additional €3.6 million. However, in this stage pay-TV operators protesting or being reluctant to effectively contribute are leading to a slow start for the Decree (Raats et al. 2014; VRM, 2015).

4. **Tax shelter financing**: since 2004, the federal Belgian government allows tax benefits to companies investing in film and TV drama. Investors are given a fiscal advantage when investing amounts in audiovisual production. It not only envisages domestic productions, but also attracts foreign investments, leading to an increasing number of co-productions in Belgium. The tax shelter has proven to be enormously popular and is considered indispensable today. In recent years, the measure has proven to be intransparent and caused much of the money to be spent outside the production costs, by allowing obscure financial constructions, which worked counterproductive for the production sector. In 2014, the tax shelter regulation was revised after thorough evaluation.

Budget breakdown and relevance of different types of financing

The average budget of a TV fiction production between 2009 and 2014 is €3,095,752 (based on 46 productions). The average budget of series fully paid for by broadcasters is €2.200,000. The average of a series produced without Media Fund financing is €2,910,260. Series that get Media Fund support also tend to involve higher budgets (around €4 million). Based on our available data, production budgets did not show a clear increase or decrease from 2009-2014. 2014 shows a clearly higher average budget, due to the broadcasting of markedly higher-budget prestigious series (including *In Flanders Fields*).

Table 1: Average budgets per series (2009-2014) (n=46)

Types of production	**Average budget**
All fiction productions (including sitcom, drama series and children's TV >20min)	€3,095,752
Broadcaster only	€2.200,000
Series without Media Fund	€2,910,260
Series with Media Fund support	€4.075.445

The average broadcasting investment between 2009 and 2014 is about €1.8 million. The average of productions without Media Fund financing is €1,744,872 (or 59% of the total budget). The average broadcasting investment for Media Fund supported projects is €1,701,250 (or 42% of the total budge

Our data, however, shows a decrease in broadcasters' relative investments for individual productions (from 65% to 42%). But when looking at the absolute investments, there is no significant decrease noticeable, which could be explained by higher production budgets and increasing success of other incentives such as tax shelter (which makes other percentages drop). And as we do not have data on all TV fiction between 2009 and 2014, no conclusions can be made on the total volume of broadcasting investments. Data from the public broadcaster VRT acknowledges there is no substantial downward trend in the total financing of TV fiction. Commercial broadcaster Medialaan added that, based on their calculations, the total investments in TV fiction has even increased since 2011. It might well be that less financing per production was distributed, but more productions were financed.

Table 2: Evolution average broadcasting financing per series (2009-2014)

Year	Average Broadcasting financing (€)	Average Broadcasting financing (%)
2009 (n=4)	€ 2,248,743	65%
2010 (n=8)	€ 1,894,702	64%
2011 (n=7)	€ 1,692,899	76%
2012 (n=12)	€ 1,705,054	50%
2013 (n=8)	€ 1,867,689	63%
2014 (n=6)	€ 1,601,090	42%

When tax shelter is included as part of their budget mix, it comprises 26.5% of the budget. Tax shelter has been immediately picked up as a relevant financing source.

Productions that included product placement, show that it contributes for 3.3% of the budget, keeping in mind that often product placement deals are made as barter agreements and not all product placement deals are included in the budget.

City and regional contributions – when involved – make up for 6.17% of the total budget. The portion of city marketing does show a decrease in recent years, as most cities and regions have been imposing severe cutbacks and therefore refrained from investing in TV and film.

Producers that include own profits, do so for approximately 5.2% of the total budget. However, it is not clear where the contributions derive from (foreign sales, profits from exploitation of previous series, savings, additional product placement deals, etc.).

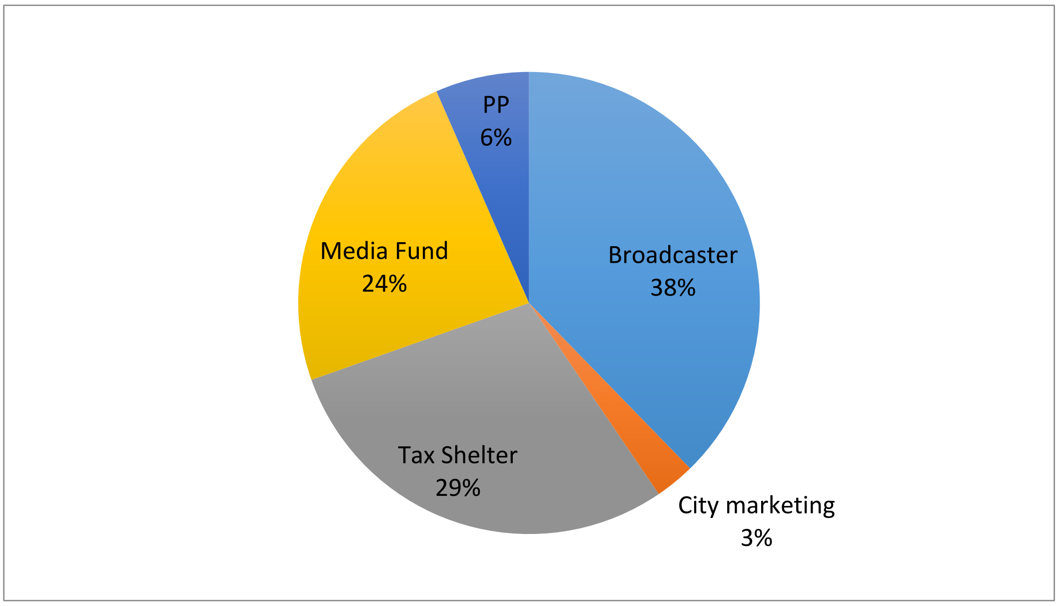
Between 2009-2011, the Screen Flanders fund so far invested in one TV fiction project that matched our definition (*Deadline 25/05*) (cf. supra). The amount of support from the European MEDIA-programme between 2009 and 2014 for TV fiction is very low (only 1 supported project), which is undoubtedly related to the low number of – contrary to the French-speaking part of Belgium – applications in Flanders (Media Desk, 2011).

Between 2009 and 2014 the Flemish Audiovisual Fund/Media Fund, awarded 38 productions a total of 60 grants. Most grants entailed screenplay support (granted 27 times). In budgets, 92% of the subsidies granted (of a total of €15.2 million) entailed production support. Of all subsidies available between 2009 and April 2014, a total of €8.8 million was allocated to productions involving the public broadcaster VRT. €6.3 million was granted to the commercial player Medialaan. Others only received minimal funding (respectively €175,000 for Acht and €25,000 for SBS).

Two out of three ‘indies’ producing most series are also the main beneficiaries of public grants (Eyeworks with 8 projects and €3.2 million; and Menuet with 6 projects and €3.6 million). Skyline Productions (2nd in top TV drama producers between 2009 and 2013) did not receive as much, as it mostly invested in television drama with multiple seasons and was therefore not eligible for Media Fund financing (only first seasons at the time were eligible for Media Fund support). Note that these results cannot be compared with the number of projects that applied for funding. It does seem logical that the largest producers also apply most and most eligible proposals.

From our available data, no calculation can be made for averaging all financing sources, as not all productions could be included in our dataset, and as all productions comprise a variety of resources. However, an example of a typical ‘prestigious’ TV drama series can be aggregated. Note that calculations were made on the basis of productions that have included all the financing streams included in the graph below. As such, percentages might divert from averages calculated in the analysis above.

Figure 2: Typical budget for series with tax shelter and Media Fund support (in %)



EVALUATION: A (PRECARIOUS) SUCCESS STORY?

What can be learned from all of the figures above? Based on our data, as well as the contextualization of producing TV fiction in small nations (in our case Flanders), we can draw the following lessons.

Most importantly, no type of financing can recoup the expenses for TV fiction production in full. Revenue from additional exploitation (DVD, VOD etc.) is marginal and by no means a substantial part of the financing. The only exploitation window that is taken into account in the financing phase in Flanders is the window for preview rights. However, only two productions involved that type of financing between 2009 and 2013. This sharply contrasts with UK financing models, which substantially include pre-buys from UK and foreign exploitation in the financing phase, or the Scandinavian production model, which relies partly on co-distribution deals with multiple broadcasters (Novrup Redvall, 2013; Raats and Steemers, 2015).

TV fiction productions in Flanders can moreover, increasingly be considered co-productions. The number of productions paid solely by the broadcaster is decreasing. Limited to a number of sitcoms that are not eligible for indirect or direct government grants, they are cheaper to produce and too popular to cancel. In sum, six types of TV fiction productions can be discerned from its financial basis: (1) broadcaster alone, (2) broadcaster with tax shelter; (3) broadcaster, Media Fund and tax shelter (productions involving the biggest budgets); (4) co-productions with a restricted role of the broadcaster (for example co-productions with foreign broadcasters), (5) broadcaster, Media Fund, tax shelter and distribution players' support (which is expected to grow if the Stimulation Decree is applied, cf. supra); (6) distribution players producing.

Despite the rise of direct and indirect forms of government support, broadcasters still are the main financiers of TV series. Various distribution platforms have arisen over the years, but have not replaced broadcasters – so far – as main venue for domestic TV fiction. Current discussions in Flanders revolve around the potential of presale financing from new players such as Netflix (Raats et al. 2014), but it is at this point highly unlikely for a small market with restricted scalability, that these presales might become a relevant and stable form of income. In 2015, cable distributor Telenet did green-lit its first production *Chaussee d'Amour,* which is the first ever TV drama production not involving broadcasting investment. Additionally, government support is intrinsically connected to obligations for *free-to-air* broadcasting, which leaves broadcasters to remain in the driver seat.

Within this 'Flemish financing model', one type of financing works as a lever for the other, rather than as a substitute. Here, the Media Fund is of pivotal importance. Before being considered as a serious and viable project, one has to pass through the Media Fund as a quality and feasibility 'test'. Producers however fear that, when new players might be involved in exploitation of TV drama series, ideally allowing bigger budgets and increased potential for foreign sales, both broadcasters and public funds might end up investing less and less. Broadcasters from their side argue that, when additional windows are involved, 'exclusivity' has to be shared with new players, hence arguing their content warrants less financial investments (Raats and Steemers, 2015).

Our figures indicate a huge number of productions are produced for relatively small budgets, which might be an indication for the acclaimed 'efficiency' and 'high production standards' associated with Flemish TV fiction. The problem is not per se that so many productions are being made, but that broadcasters keep investing in as much as possible TV fiction because of the genre popularity, thereby putting downward pressure on independent producers. Producers from their side, struggle with lowering budgets and consequently with maintaining high production standards. And, as government measures only support TV drama and no other genres, competition between producers increases as more producers – also smaller ones – try to secure public funding and expand to development of TV fiction. Hence, ironically, subsidies aiming at creating continuity and stability might invoke exactly the opposite. This also means the sector is up for rationalization, which might entail looking at 'fewer, bigger, better' strategies on the level of broadcasters, with an eye on quality for export and to generate a longer lifecycle of TV fiction productions.

Lastly, the lack of consistent data on audiovisual productions and budgets, lack of transparency and lack of insight in the workings of budgets and the impact of support mechanisms on the industry is symptomatic for an underlying hurdle for the Flemish audiovisual sector: it leads to a blind spot, allowing producers and broadcasters to circumvent existing rules to be able to obtain government supports from tax shelter and Media Fund financing in absent of effective government monitoring and control.

CONCLUSIONS

Traditionally, small member states' media policies support mechanisms focused mainly on sustaining production while overlooking circulation of audiovisual content, and with an emphasis on subsidies as the key support mechanisms (De Vinck, 2011; Sparrow, 2007). Such a focus is characteristic for the traditional cultural and protectionist stance of small audiovisual markets aiming to protect domestic markets and players. While much has changed since then, a lot of the thresholds that warranted a more structural and integrated audiovisual policy in the eighties, continue to exist today (see for example, Herold, 2010). And while this article demonstrated that the context for financing of audiovisual production in small markets has changed markedly, audiovisual production is (a) still largely dependent on public financing and (b) the lack of market scalability restricts revenue from distribution (in form of co-productions or distribution deals) to become sustainable parts of the financial package of TV fiction, contrasting sharply with larger audiovisual markets.

With regard to the former, the analysis showed a huge dependency of public funding, not only directly through the Media Fund, but indirectly through fiscal benefits in the tax shelter scheme, support from cities and regions and investment from the public broadcaster VRT. In Flanders, attempts have been made to introduce more consistent support based on indirect mechanisms, such as the recent 'Stimulation Decree', (cf. supra), but the future of these funding mechanisms is highly unclear. With regard to the latter, our findings acknowledge that pre-financing deals with pay-tv, on-demand and DVD distributors for Flemish and foreign sale, are rarely included as forms of financing.

In small markets such as Flanders, production is still mostly oriented towards its own market and towards linear broadcasting. Partly this results from a relatively comfortable position for broadcasters and producers, because of the availability of various public incentives, as well as the huge popularity of the genre. This is clearly noticeable in the very restricted number of cross-cultural collaborations between Flemish and foreign players in the television market. Even co-productions with the Netherlands, sharing a cultural proximity and language, are exception rather than rule, and are often perceived as artificial and counter-productive for Flemish high-end drama, thereby echoing discussions in the nineties on 'Europudding' co-productions (De Vinck, 2011). More promising than enforcing cross-border co-productions, undoubtedly is a clearer focus on distribution and an optimal exploitation of secondary rights that improve circulation in domestic as well as international markets.

In recent years however, pan-European TV drama productions such as the German-Austrian-Danish-Flemish coproduction *The Team*, involving substantial investments from private broadcaster VTM and Flemish distributor *Lumière*, the increased European and international circulation of Flemish TV drama (with series as *Clan* and *Cordon* getting remakes in the U.S.) as well as upcoming TV drama projects involving pre-financing deals with distributors for foreign sales, provide promising examples of a gradual shift away from a domestic, broadcasting and production rather than distribution oriented logic.

The sustainable future financing of TV fiction in small markets is likely to depend on a combination of factors, from the amount of further fragmentation of financing, to the ways in which producers can secure profit margins to ensure continuity, to the stability of public financing and the position of new international players entering local ecosystems, the potential of new on-demand services and payment models, the extent to which small markets manage to get their fiction series to travel, etc. Key in making TV financing truly sustainable, might be exploring the potential of distribution mechanisms further and how the potential of new platforms and services can be further exploited rather than consider them solely as a threat. This calls however, for coherent and complementary policies, setting out from a well-thought out policy toolkit combining direct and indirect support mechanisms, as well as a rationalisation on the level of the production sector and an audiovisual ecosystem that ensures a fair and adequate valorisation of each potential distribution window.

REFERENCES

Antoine, F., D'Haenens, L., Saeys, F. (2001), Belgium. In: D'Haenens, L., Saeys, F. (eds). *Western Broadcasting at the dawn of the 21st century*. New York: Mouton de Gruyter, pp. 147-192.

Armstrong, M. and Weeds, H. (2007), Public service broadcasting in the digital world. In: P. Seabright and J. von Hagen (eds.), *The economic regulation of broadcasting markets: evolving technology and challenges for policy* (pp. 81-149). Cambridge: Cambridge University Press.

BARB. (2013), *The Viewing Report*. London: United Kingdom.

Barwise, P. and R. Picard. (2014), *What if there were no BBC Television? The net impact on UK viewers.* Oxford: Reuters Institute for the Study of Journalism.

Berg, C.E. (2011), Sizing up size on TV markets. Why David would lose to Goliath. In G.F. Lowe and C.S. Nissen (Eds.), *Small among giants. Television broadcasting in smaller countries*. Göteborg: Nordicom, pp. 57-89.

Bignell & Fickers (2008). *A European Television History*. London: Wiley-Blackwell.

Bilton, C. & Leary, R. (2002), What can managers do for creativity? Brokering creativity in the creative industries. In: *International Journal of Cultural Policy*, 8: 1, pp. 49-64.

Berg, C.E. (2011), Sizing up size on TV markets. Why David would lose to Goliath. In G.F. Lowe ad C.S. Nissen (eds.), *Small among giants. Television broadcasting in smaller countries*. Göteborg: Nordicom, pp. 57-89.

Bondebjerg, I. & P. Madsen (2008). *Media, Democracy and European Culture*. Bristol: Intellect Books.

Bondebjerg, I. & E. Novrup Redvall (2011). *A Small Region in a Global World. Patterns in Scandinavian Film and Media Culture.* Copenhagen: European Think Tank on Film and Film Policy.

Bondebjerg, I. Redvall, E. N. and A. Higson (eds.) (2015), *European Cinema and Television. Cultural Policy and Everyday Life*. Basingstoke: Palgrave MacMillan.

Caves, R. E. (2000), Creative industries: Contracts between arts and commerce. Cambridge: Harvard University Press.

Chan-Olmsted, S.M., Cha, J., and Oba, G. (2008), An Examination of the Host Country Factors Affecting the Export of U.S. Video Media Goods. *Journal of Media Economics, 21*: 3, pp. 191-216.

Christophers, B. (2008), Television's Power Relations in the Transition to Digital:The Case of the United Kingdom. In: *Television & New Media, 9*: 3, pp. 239-257.

Collins, R. (2008), Hierarchy to homeostasis? Hierarchy, markets and networks in UK media and communications governance. In: *Media, Culture and Society*, 30: 3, pp. 295-317.

Collins, R.; Garnham, N. & Locksley, G. (1988), *The Economics of Television: the UK case*. London: Sage.

Dally, P., Durandez, A., Jiménez, L., Pasquale, A., and C. Vidal (2002), *The audio-visual management handbook. An in-depth look at the film, television and multimedia industry in Europe*. Madrid: Media Business School.

Davies, G. (2013), A 2020 Vision for the BBC. In: Picard, R. and P. Siciliani (eds.), Is there Still a Place for Public Service Television? Oxford: Reuters Institute for the Study of Journalism.

De Vinck, S. (2011). *Revolutionary Road? Looking back at the position of the European film sector and the results of European-level film support in view of their digital future. A critical assessment*. Unpublished doctoral dissertation. Brussels: Vrije Universiteit Brussel.

De Vinck, S.; Ranaivoson, H.; Van Rompuy, B. & Lindmark, S. (2013), Fragmentation of the Single Market for on-line video on-demand services: point of view of content providers. Final report. SMART 2012/0027, 30 Juli 2013.

Doyle, G. (2013), *Understanding Media Economics* (Second edition). London: Sage.

Doyle, G. and Paterson, R. (2008), Public policy and independent television production in the U.K. In: *Journal of Media Business Studies*, 5: 3, pp.17-33.

Drake, P. (2008), Distribution and marketing in contemporary Hollywood. In P. McDonald & J. Wasko (eds.), *The contemporary Hollywood film industry*, Malden/Oxford/Carlton: Blackwell Publishing, pp. 63-82.

Herold, A. (2010). *European film policies in EU and international law*. Groningen: Europa Law Publishing.

Hesmondhalgh, D. (2007), *The Cultural Industries*. *Second Edition.* London: Sage Publications.

Jensen, P. M., Nielsen, J. I. & Waade, A. M. (2015), When Public Service Drama Travels: The internationalization of Danish television drama and the associated production funding models. In: The Journal of Popular Television, this issue.

Küng, L. (2008), *Strategic management in the media: theory to practice*. Thousand Oakes: Sage.

Lowe, G.F., Berg, C.E., and Nissen, C.S. (2011), Size matters in TV broadcasting policy. In Lowe, G.F. and C.S. Nissen (Eds.), *Small among giants. Television broadcasting in smaller countries*. Göteborg: Nordicom, pp. 21-42.

Lundin, R. and Norbäck, M. (2009), Managing projects in the TV production industry: The case of Sweden. In: *Journal of Media Business Studies*, 6: 4, pp. 103-121.

Mediadesk (2011). Media resultaten 2010 ('Media Results 2010'). Brussels: Media Desk Belgium: Flemish Community.

Mediatique & Horsman. (2005), From the cottage to the City: evolution of the UK independent production sector. An independent report commissioned by the BBC. London: United Kingdom.

Nelson, E. (2013), Windows into the Digital World: Distributor Strategies and Consumer Choice in an Era of Connected Viewing. In J. Holt and K. Sanson (Eds.), *Conneced viewing, selling, streaming, & sharing media in the digital age*. New York: Routledge, pp. 62-78.

Norbäck, M. (2010), Collaborative financing and production: Making public service content at SVT Sweden. In: Lowe, G.F. (ed.), *The Public in Public Service Media.* Göteborg: Nordicom, pp. 243-256.

North, S., and Oliver, J. (2010), Manager perceptions of the impact of consolidation on the U.K. independent television production industry. In: *Journal of Media Business Studies*, 7:2), pp. 21-38.

Novrup Redvall, E. (2013). Writing and Producing Television Drama in Denmark. From The Kingdom to The Killing. Basingstoke: Palgrave.

Nylund, M., and Mildén, P. (2012), New strategies in Finnish independent TV production. In: Journal of Media Business Studies, 9:1, pp. 85-99.

Ofcom (2009). Ofcom's Second Public Service Broadcasting review. Putting viewers first, 21 January.

Ofcom (2014). Public service content in a connected society. Ofcom's third review of public service broadcasting.

Papandrea, F. (1998), Protection of domestic TV programming. Journal of Media Economics, 11: 4, pp. 3-15.

Pauwels, C. (1995), Cultuur en economie: de spanningsvelden van het communautair audiovisueel beleid. Een onderzoek naar de grenzen en mogelijkheden van een kwalitatief cultuur- en communicatiebeleid in een economisch geïntegreerd Europa. Brussels, unpublished PhD dissertation. Brussels: Vrije Universiteit Brussel.

Pauwels, C. (2000), De creatie van een competitieve Europese audiovisuele programma-industrie: een mission impossible (The creation of a competitive European audiovisual programme industry: mission impossible?). In: Biltereyst, D. and De Smaele, H. (eds), *Transformatie en continuïteit van de Europese televisie.* Ghent: Academia Press, pp. 25-53.

Picard, R (2011), *The economics and financing of media companies (second edition),* New York: Fordham University Press.

Puppis, M., d'Haenens, L., Steinmaurer, T. & Künzler, M. (2009),, The European and Global Dimension Taking Small Media Systems Research to the Next Level. *International Communication Gazette*, 71: 1-2, pp. 105-112.

Raats, T., Evens, T. and Pauwels, C. (2015), Towards sustainable financing models for television production? Challenges for audiovisual policy support in small media markets. Paper presented at EuroCPR Conference, 24 March.

Raats, T., Evens, T., Braet, O., Ruelens, S., Schooneknaep, I., Ballon, P. and J. Loisen (2014), Duurzame financieringsmodellen voor Vlaamse televisiefictie. Een onderzoek in opdracht van het Kabinet Media en het Departement Cultuur, Jeugd, Sport en Media (Sustainable financing for Flemish TV-drama. Research commissioned by Cabinet of Media and the Dept. Of Culture, Youth, Media and Sports). Ghent: iMinds, 2 June.

Raats, T. & Steemers, J. (2015). Differentiating through content: Trends in private broadcasting TV drama production. Presentation given at bi-annual Private Television Conference. Brussels, 3rd June.

Schültze, G. (2005), Nobody knows anything - or do we? In: *Journal of Cultural Economics*, 29: 3, pp. 157-158.

Scott, A.J. (2004), The other Hollywood: the organizational and geographic bases of television-program production. In: *Media, Culture & Society*, 26: 2, pp. 183-205.

Sparrow, A. (2007). *Film and Television Distribution and the Internet*. Hampshire: Gower Publishing Limited.

Starkey, K. and Barnatt, C. (1997), Flexible specialization and the reconfiguration of television production in the UK. In: *Technology Analysis & Strategic Management*, 9: 3. pp. 271-286.

Starkey, K., Barnatt, C., and Tempest, S. (2000), Beyond networks and hierarchies: Latent organizations in the U.K. television industry. In: *Organization Science*, 11: 3: pp. 299-305.

Storey, J.; Salaman, G. and Platman, K. (2005), Living with enterprise in an enterprise economy: Freelance and contract workers in the media. In: *Human Relations*, 58: 5, pp. 1033-1054.

Sydow, J. and Staber, U. (2010), The Institutional Embeddedness of Project Networks: the case of content production in German television. In: *Regional Studies*, 36: 3, pp. 215-227.

Trappel, J. (2011), Structure and dynamics. The television broadcasting industry in smaller countries. In G.F. Lowe and C.S. Nissen (eds.), *Small among giants. Television broadcasting in smaller countries*. Göteborg: Nordicom, pp. 111-129.

Trappel, J. (2014), Small states and European media policy. In K. Donders, C. Pauwels and J. Loisen (eds.), *The Palgrave Handbook of European Media Policy*. Basingstoke: Palgrave Macmillan, pp. 239-253.

Turner, G. and Tay, J. (2009), *Television studies after TV: understanding television in the post-broadcast era.* London: Routledge.

Vlaamse Regulator voor de Media (2015), Mediaconcentratie in Vlaanderen. Rapport 2014 (Mediaconcentration in Flanders: Report 2014). Brussels: Flemish Regulator for Media.

Vlaamse Onafhankelijke Televisieproducenten (2014). VOTP Jaarverslag (VOTP annual report). Brussels: VOTP.

Vogel, H. L. (2007), *Entertainment Industry Economics. A guide for financial analysis* (7th ed.). Cambridge: Cambridge University Press.

VRT and Vlaamse Regering (2011), Beheersovereenkomst 2012–2016 tussen de VRT en de Vlaamse Gemeenschap (management contract 2012-2016 between the VRT and the Flemish Government). Brussels: VRT & Vlaamse Regering.

---

[i] To cope with this lack of continuity, producers employ different strategies. Some producers use a typical niche strategy, and focus on uniqueness and core competency in a limited area. By specializing in particular genres, they wish to reduce costs and increase efficiency (Nylund and Mildén, 2012). Other producers create scale by entering into output and volume deals, or exclusive partnerships with TV broadcasters in order to secure a larger amount of productions (Norbäck, 2010). Others diversify activities and build portfolios in order to spread risks. Some producers are also involved in advertising, corporate communication videos, and new media (Lundin and Norbäck, 2009). Producers also become part of larger networks in order to create economies of scale. As a result, the independent production sector is marked by a consolidation wave (North and Oliver, 2010).

[ii] This has for example been the case for Wallonia (i.e. French-speaking part of Belgium), which shows a strong presence of French players, as well as a huge popularity of French television channels, thereby limiting popularity of national players and hampering development of domestic content production.

[iii] For example when one production company produces a TV series for a higher budget than formally agreed, but which is compensated with exclusivity bonuses and profits from other programmes.